

Report of the Director of Customer and Business Support Services

## **Statement of Accounts 200910**

### **Summary**

- 1 The purpose of this report is to enable Audit & Governance to examine and approve the Council's pre-audit Statement of Accounts 2009/10.

### **Recommendations**

2. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2010.
3. Reason: It is a statutory requirement that a committee of the Council or Full Council approves the Statement of Accounts for 2009/10 by 30 June 2010. Full Council resolved on 22 January 2009 that the Statement of Accounts be approved by Audit & Governance Committee.

### **Background**

- 4 The report sets out the background for the requirement of Members to approve the draft pre-audit Statement of Accounts. The draft pre-audit Statement of Accounts is attached at Annex B. An appropriately signed copy will be presented to this meeting for final signature subject to approval of the committee.
5. To assist Members and readers in the understanding of the draft pre-audit Statement of Accounts a brief explanation and information on the constituent parts of the Statement of Accounts (in the order in which they are produced) are attached at Annex A. This, supplemented by the presentation given to Audit & Governance on Thursday 24 June 2010, will enhance Members' understanding and facilitate robust scrutiny prior to approval.
6. Following approval of the draft pre-audit Statement of Accounts, the accounts will be made available for public inspection on 2 August 2010 for 20 working days, with Tuesday 31 August 2010 being the date on or after which local government electors for the area to which the accounts relate may exercise their rights to question the auditor about the accounts. The Audit Commission expects to issue a report and opinion by the end of September 2009.
7. The pre-audit Statement of Accounts has been prepared in accordance with the CIPFA Statement of Recommended Practice (SORP) 2009 for accounts prepared on or after the 1 April 2009. The pre-audit Statement of Accounts is produced in line with UK Generally Accepted Accounting Practices (GAAP); this makes Local

Authorities' accounts more compliant with the private sector. This is the last year that the accounts will be produced under UK GAAP, as from 10/11 the Statement of Accounts of all Local Authorities will be produced under International Financial Reporting Standards (IFRS).

8. There are three main changes to the Statement of Accounts in 2009/10, two are defined in the SORP 2009, and the third is detailed in the CIPFA Local Authority Accounting Panel (LAAP) bulletin 85. In addition, there are a number of minor amendments, which affect this Authority. The changes of note are explained in the following paragraphs 9 to 13.
9. The accounting requirements for PFI (Private Finance Initiative's) and similar contracts are no longer based on FRS 5, but on International Financial Reporting Standards (IFRS) - IFRIC 12 Service Concession Arrangements. All PFI properties that deliver PFI services, up to this year, were accounted for "off-balance-sheet". Under IFRS and in the Accounts 2009/10 the PFI is required to be recognised "on-balance-sheet", along with the liability for the financing provided by the PFI Operator. Regulations or statutory guidance to ameliorate any impacts on authorities' funding positions have been put in place and therefore there is not impact on Council Tax.
10. The change in accounting treatment is complex and requires the Authority to restate prior year Accounts back to the inception of the PFI agreement. City of York Council has one such PFI dating back to 2005/06. The revised PFI model prepared by CYC has been quality reviewed by PricewaterhouseCoopers and confirms the accuracy of the PFI model used in preparing the Statement of Accounts. The use of PWC to review this work also demonstrates excellent value for money, as PricewaterhouseCoopers have not been required to create the model from inception.
11. The second main change is the revised accounting treatment for the collection fund and the accounting for council tax and National Non-Domestic Rate (NNDR) accruals. CYC is a billing authority for council tax in which it acts as an agent when it collects and distributes council tax income on behalf of major preceptors e.g. fire authority and the police. CYC is also an agent with the Government for the purpose of NNDR. The 2009 SORP has been amended in relation to accounting for Council Tax and NNDR in England so that the Billing Authority / Government Agent (CYC) and the Preceptor Authorities (Fire and Police) show appropriate shares of Council Tax / NNDR debtors and creditors in their respective Balance Sheets. This requirement is for the 2009/10 final accounts and an associated restating of 2008/09 Final Accounts.
12. The third change detailed in the LAAP Bulletin 85 is with regards to Senior Officer Remuneration. The new requirements have been introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. This disclosure is intended to ensure comparability with all local authorities and promote a similar level of openness as central government and the private sector.

13. Further minor amendments listed in the SORP 2009, which have been incorporated in to the Statement of Accounts include:
- The proportion of long-term financial liabilities due to be settled within 12 months after the Balance Sheet date are now to be presented in “Current Liabilities.”
  - Five note disclosures have been removed as none of these disclosures are required by accounting standards or legislation:
    - a. Section 137 expenditure
    - b. Expenditure on Publicity
    - c. Building Control Accounts
    - d. Business Improvement District Schemes
    - e. Income under Local Authorities Goods and Acts respectively.
  - The SORP has been amended to clarify that local authorities should follow FRS 2 and FRS 9 when accounting for investments in subsidiaries and associates.
14. A significant amount of work has been undertaken in 2009/10 to ensure that
- the changes to the accounts in 2009/10 described in paragraphs 9 to 12 and
  - the recommendations and improvements identified by the Audit Commission in their 2008/09 Final Accounts Memorandum Audit & Governance Report
- have been implemented as part of the 2009/10 Close of Accounts process.
15. A range of actions, following on from Audit Commissions recommendations, have been included in the final accounts process to ensure the Accounts are submitted within the statutory timetable: -
- A formal quality assurance process as part of the closedown arrangements has been implemented through departments to ensure all working papers have been checked and authorised.
  - Working Papers have been standardised across the authority for ease of use across all departments and to ensure a clear trail from the finance ledger to the statement of accounts.
  - Collaborative working across all departments continues from last year with weekly meetings through the close down process where accountants are represented from all work areas.
  - A thorough review of the Fixed Asset Register by Corporate Finance along with Property Services has been undertaken to ensure accurate accounting treatment and that valuation certificates are SORP compliant.
  - Attention has been given to accounting policies and disclosures to ensure that consistency occurs throughout the Statement of Accounts.
16. At the time of writing this report, the quality review is still underway. Any proposed amendments to the draft pre-audit statement that are identified through this process will be presented to Members at Audit & Governance on 29 June 2010 in a “schedule of changes”.

### **Consultation**

17. All services areas of the Authority have contributed to the pre-audit Statement of Accounts and working papers.

18. In line with the approval process agreed at Full Council on 22 January 2009 the pre-audit Statement of Accounts, which includes the Annual Governance Statement, are to be considered and approved by the Audit & Governance.

### **Options**

19. That the Audit & Governance Committee approves the pre-audit Statement of Accounts for the financial year ended 31 March 2010, in accordance with the statutory requirement.

### **Corporate Priorities**

20. When determining the CAA score to issue for the Council, consideration is given to whether or not the Statement of Accounts has been produced in accordance with statutory requirement and has undergone a full scrutiny by Members prior to being approved. The Statement of Accounts provides a technical financial summary of the activities of the council.

### **Implications**

21. The implications are
- Financial - The Statement of Accounts shows that for 2009/10 there is a provisional underspend of £322k (less any carry forward requests approved by Executive on 22 June). This position arises due to tight financial controls exercised in year, which ensure the Council's financial standing has been maintained, despite a number of pressures in children/adult care, impact of the recession and winter maintenance costs. Full details on this were reported in the Year End Financial & Performance report presented to Executive on 22 June 2010. The level of General Reserves is some £7m, compared to a recommended minimum level of reserves of £5.9m. Clearly there are significant financial challenges facing all public sector organisation and the need to maintain reserves will be essential throughout this period.
  - Human Resources - there are no human resource implications to this report
  - Equalities - there are no equality implications to this report
  - Legal - there are no legal implications to this report
  - Crime and Disorder - there are no crime and disorder implications to this report
  - Information Technology - there are no information technology implications to this report
  - Property - there are no property implications to this report
  - Other - there are no other implications to this report

### **Risk Management**

22. Areas of risk identified throughout the Close of Accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met. The risks identified in 2009/10 were
- Technical ability and capability of personnel
  - Impact of the changes to the SORP 2009, specifically in the conversion of the PFI to be compliant under IFRS.
23. Also, this report is for Members to approve the pre-audit Statement of Accounts by the statutory deadline. Failure to adequately review the Accounts can impact negatively upon the Council's CAA assessment and reportage of financial issues.

### Conclusion

24. The production and publication of the Statement of Accounts is a statutory requirement that provides Members and interested parties with the chance to see the full financial position of the Council.
25. Bringing the Statement of Accounts to Audit & Governance provides an opportunity for Member led debate and compliance with defined best practice. It is an important part of Member involvement in corporate governance that a full scrutiny is undertaken of the Council's Accounts.
26. It is intended that following a receipt of an unqualified opinion on the accounts from the District Auditor, that the finalised Statement of Accounts 2009/10 will be published and distributed to all Members and Chief Officers. The District Auditor is required to give his opinion as part of the Annual Governance Report to be considered by Audit and Governance Committee no later than the 30<sup>th</sup> September 2010.

### Contact Details

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Report approved  Date 29/06/10

**Specialist Implications Officer(s)** None

**Wards Affected:** *List wards or tick box to indicate all*

**All**

**For further information please contact the author of this report**

### Background Working Papers

Statement of Accounts 2009/10  
Supporting Working papers held by Finance Departments across the Council.  
Statement of Recommended Practice (SORP 2009) Guidance Notes for Practitioners  
Best Value Accounting Code of Practice 2009